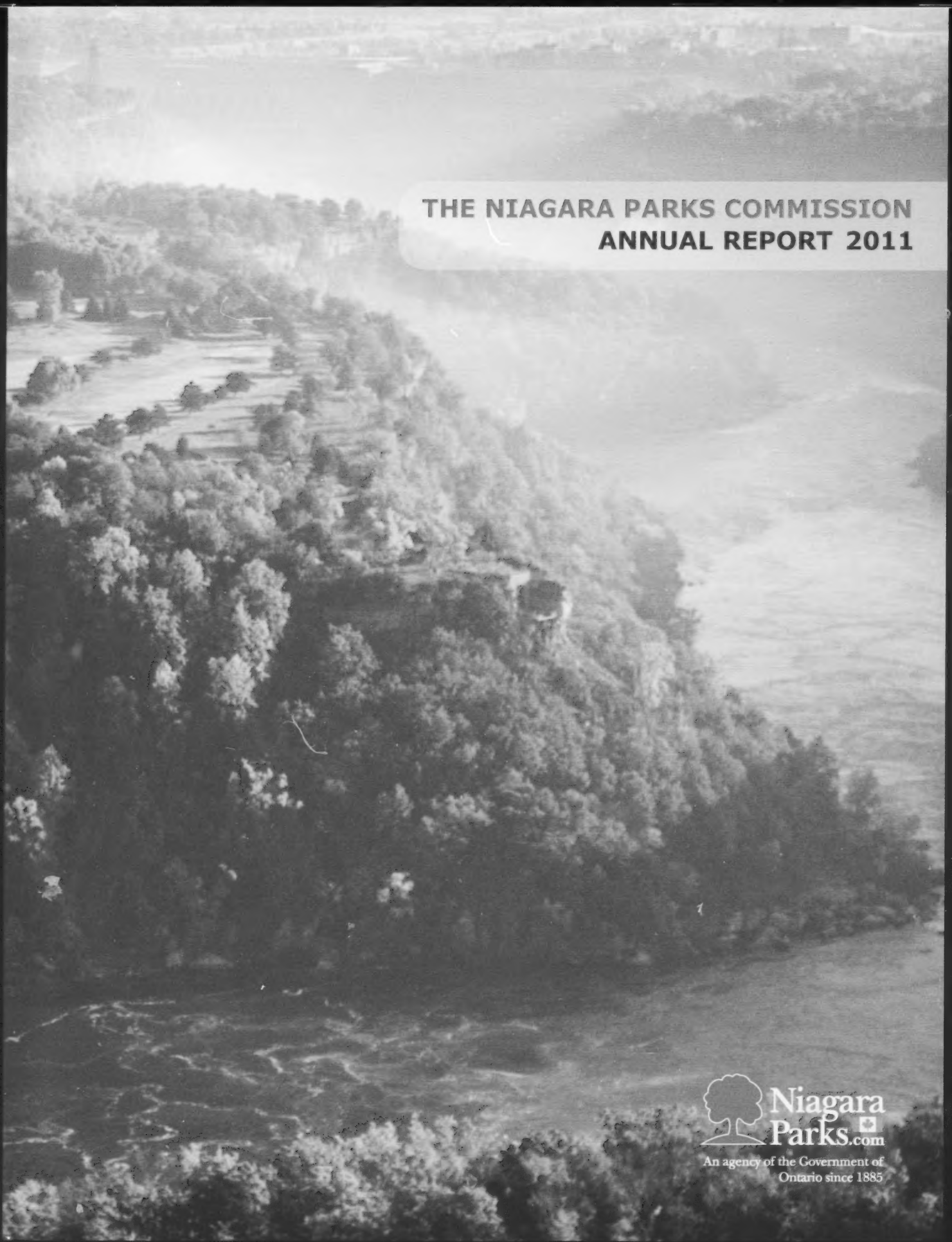


THE NIAGARA PARKS COMMISSION
ANNUAL REPORT 2011

Niagara Parks.com

An agency of the Government of Ontario since 1885

The Niagara Parks Commission

Our Role & Mission

Royal Visit, 1939
Niagara Parks
Administration Buiilding

Niagara is a region steeped in history and blessed by geography. As steward of one of the world's greatest natural wonders, The Niagara Parks Commission (NPC) plays a major role in maintaining, protecting and showcasing the Falls' grandeur, while contributing to the economic growth and success of Niagara and Ontario.

As a self-funded agency of the provincial government, NPC is responsible for the maintenance of 1,325 hectares of parkland, stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario.

Our mission remains the same as it was in 1885: to preserve and enhance the natural beauty of the Falls and the Niagara River corridor for the enjoyment of visitors while maintaining financial self-sufficiency.

Niagara Parks.com
An agency of the Government of Ontario since 1885

Ontario

On the cover
Niagara Glen and Whirlpool Golf Course

View from Niagara Parks Police Building, 2011

The Commissioners **2011**

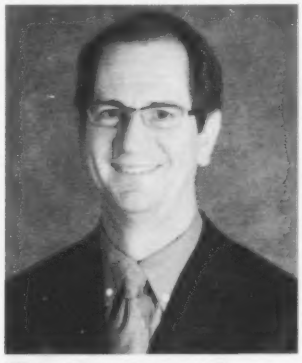
Janice Thomson, Chair
Appointed June 15, 2010
Appointed Vice Chair August 10, 2010
Named Interim Chair July 1, 2011
Appointed Chair November 16, 2011

David Eke, Commissioner
(Nominee of the Town of Niagara-on-the-Lake)
Appointed January 19, 2011
Term expired November 30, 2011

Vincent Kerrio, Commissioner
(Nominee of the City of Niagara Falls)
Appointed April 18, 2007
Term expired November 30, 2011

Douglas Martin, Commissioner
(Nominee of the Town of Fort Erie)
Appointed April 18, 2007
Term expired November 30, 2011

Barbara Greenwood, Commissioner
(Nominee of the Regional Municipality of Niagara)
Appointed January 19, 2011
Term expired November 30, 2011



William Forward, Commissioner
Appointed November 29, 2010
Term expired February 29, 2012

Patricia Li, Commissioner
Appointed November 29, 2010
Term expired February 29, 2012

Ron McKerlie, Commissioner
Appointed November 29, 2010
Term expired February 29, 2012

Richard McKinnell, Commissioner
Appointed November 29, 2010
Resigned September 12, 2011

Lori Sterling, Commissioner
Appointed November 29, 2010
Term expired February 29, 2012

Virginia West, Commissioner
Appointed November 29, 2010
Term expired November 30, 2013

Fay Booker
Appointed Chair April 21, 2010
Resigned June 30, 2011
Appointed General Manager July 15, 2011

Chair's Message

Old Fort Erie, 1927

A prevailing sense of optimism was the general consensus amongst many as The Niagara Parks Commission (NPC) entered the 2011 tourism season, hopeful that an upswing in visitation and tourism spending would soon result.

Buoyed by the positive response and participation of both staff and the community during its strategic planning and consultation exercise, NPC was able to move forward confidently in developing a new vision and sense of purpose for the organization, which has been encapsulated in the Commission's new vision statement: Ontario's Niagara Parks – Preserving a rich heritage, Conserving natural wonders, Inspiring people, worldwide!

This new vision has helped to refocus NPC to place a greater emphasis on park re-beautification, nature, gardens and heritage brands and to promote the NPC and its attractions. This was clearly demonstrated when NPC held its first ever Spring Launch in April and with the revitalization and conversion of the Niagara Glen store into a new Nature Centre, promoting the Glen and environment.

The 2011 season will also be remembered as one of tremendous investment in the past to secure the future growth of NPC. Combined infrastructure funding of $8.94 million from both the federal and provincial governments was invested in the rehabilitation and opening of three of NPC's important heritage sites: Laura Secord Homestead, Old Fort Erie and McFarland House.

As the summer came to a close, additional infrastructure announcements related to the enhancement of NPC's aging and inaccessible transportation capabilities were made. On August 25, NPC and the City of Niagara Falls announced the approval of a 10-year agreement to develop an integrated Visitor Transportation System (VTS) to provide a seamless connection between tourist areas and attractions within the city and the Parks. This rubber tire bus system is expected to be in operation during the height of the 2012 tourism season. Then, on September 2, NPC was pleased to learn it will receive $7 million in additional support from the Government of Ontario to replace its aging incline railway. A new modern, year-round and accessible system will now provide service between Queen Victoria Park and the Fallsview tourism district, beginning in 2013.

Aerial View of Old Fort Erie Vision Centre, 2011

The 2011 season can also be described as one of significant change. New projects were initiated, major redevelopments occurred, and there were changes in the governing body and in the executive team. Additionally, there were other significant events held during the year, including a car-free Sunday in Queen Victoria Park, the celebration of Whirlpool Golf Course's 60th anniversary, the School of Horticulture's 75th anniversary, the introduction of bouldering as a sanctioned activity, and the establishment of a K9 unit for the Niagara Parks Police.

Early in the year, internal audits conducted by the Ministry of Tourism and Culture identified weaknesses in travel expense management and procurement activities. As a result, great efforts have been made to improve NPC's processes to better meet government standards and expectations.

During the year, NPC also received several responses to a request for proposals for boat tour operations in the Niagara Gorge, which was first issued in August 2010. Significant effort was expended in reviewing and evaluating the proponents' responses. It is expected that a decision on the successful proponent for the land lease will occur in early 2012.

Despite this tremendous activity, higher energy costs, the economic disruption caused by the earthquake in Japan, a higher Canadian dollar, and a general underperformance of both the U.S. and Eu-

McFarland House Tea Service, 1990s

ropean markets dampened what was once hoped to be a tourism rebound for the Niagara area. This led to a challenging year financially for NPC as global economic challenges and difficult weather conditions reduced visitor attendance and revenues below expectations.

Statistics provided by the Ministry of Tourism and Culture indicated overall American visitation to the province continued to decline in 2011. One bright spot, however, was the growth of the overseas market, as international visitation to Ontario rose slightly over the prior year; a reflection of the growth in new and emerging markets such as China, Brazil and India.

In response to these challenges, NPC began identifying new visitor experiences, such as its Animals of the Rainforest Exhibit, to help provide additional reasons for visitors to make Niagara Parks a destination of choice. Planning also continued with area stakeholders on the War of 1812 Bicentennial activities, which this region will host in the coming year. Niagara Parks has a significant stewardship responsibility and looks forward to telling the stories of the important role this region and its residents played in the history of Canada, over 200 years ago.

NPC will continue to move forward in 2012 with a focus to improve the visitor experience. The Commission will also look to further engage and empower its employees, while improving both the efficiency of its operations, and overall financial performance.

As Chair, I have had the opportunity to work with a dedicated group of Commissioners and loyal staff of employees, who consider Niagara Parks their home. Working together, we look forward to promoting and upholding the organization's mission and vision, all while creating a Park system that all Ontarians can be proud of.

Janice Thomson

Janice Thomson, Chair
The Niagara Parks Commission

McFarland House New Tea Room Conservatory, 2011

2011
Economic Performance

Refectory Patio Dining, 1937

In order for NPC to support its significant environmental and heritage stewardship responsibilities along the Niagara River, NPC has the authority to own and operate commercial ventures such as attractions, retail outlets, restaurants and golf courses. In addition to these revenue producing operations, NPC also receives rents and fees.

Financial Results for 2011

In 2011, total revenues were $69.4 million which was a decline of $2.6 million, or 3.6% from the revenues recorded in fiscal 2010. The deficit from operations was $7.1 million compared to a loss from operations in fiscal 2010 of $3.7 million. After including a reduction of $132,000 in obligations to stabilize the three vacant power plant stations, as well as capital revenue from the sale of land, in the Town of Fort Erie, NPC's 2011 annual deficit was $6.7 million.

During 2010 and 2011, NPC received funding of $8.94 million as a grant from the provincial and federal governments to refurbish three of its heritage property sites. Revenue from this grant is recognized in the financial statements at the same rate as the related heritage expenditures were amortised: $37 thousand in 2011. The balance of the revenue will be recognized over the life of the heritage assets in the amount of $8.9 million and is depicted as deferred capital funding on the NPC's Statement of Financial Position.

Change in Deficit from Operations

Expenses for 2011 were $66.1 million, down slightly from $66.2 million in the previous year. A schedule of expenses by object code with comparatives to the budget and fiscal 2010 are in the audited financial statement.

The incremental changes in operating revenues and expenditures for 2011, contributing to the increased operating deficit, are as follows:

	(in thousands of dollars)
Reduced gross margin from revenue producing operations	$ 1,431
Reduction in other revenues	422
Increase in wage and benefit costs	832
Increase in utilities costs	226
Increase in nonrecurring legal and severance costs	1,069
Decrease in amortization expense	(255)
Decrease in other expenses	(392)
Increase in Operating Deficit for year 2010 to 2011	$ 3,333

The reduced income from revenue producing operations reflected a reduction in attendance and a reduction in average spending levels by visitors at NPC venues. Attendance levels were affected by poor weather conditions, the late opening of the boat tour due to ice conditions in the Niagara River, and a challenging economic environment, which impacted greatly the discretionary income available to tourists, both domestically and internationally. Other revenues earned by NPC also declined as a result of a reduction in the U.S. exchange rate, as well as the volume of U.S. currency processed. The U.S. exchange rate paid to NPC was at par for the majority of 2011.

The increase in costs was partially related to an increase in wages and benefits. In 2011, NPC had a total workforce of 1,630 employees, of which 1,370 were seasonal workers and 260 were full-time staff. Approximately 45% of wage costs was for seasonal workers (FTE of 820 employees), and the balance of 55% was for full-time payroll. In 2011, wage-related costs rose by $832,000, or 2.2%, to $39.4 million. Wages and benefits represented 59.6% of NPC's annual operating costs.

NPC continued to follow the compensation restraint measures introduced by the Province in 2010, which froze non-union wage rates for two years. However, due to an existing agreement, union wage rates increased by 1.5% in 2011 and will increase by a similar amount in 2012 and 2013. The progression of staff through stepped increases in the salary grid, as provided in the NPC compensation plan and permitted in the provincial restraint measures, also contributed to the increase in compensation costs.

Deferrals of maintenance activities and other costs ($392 thousand) from budget helped reduce the 2011 deficit. However, deferrals of maintenance and capital replacement have led to increased maintenance needs. Alternatives are being explored for the sale of redundant assets to provide cash flow to accommodate necessary repairs. Utility costs rose by $226,000 or 8.2%. As a result, NPC undertook a number of green initiatives to help manage and move towards lowering its energy costs.

Non-recurring costs increased by $1.1 million to $1.3 million in 2011. These costs relate to litigation regarding commercial operations, Boat Tour RFP work, as well as retirement, severance and corporate restructuring costs.

Liquidity and Capital Operations

Cash balances declined from the closing balance of $6.5 million on October 31, 2010 to the closing balance of $3.2 million on October 31, 2011. Operating activities for 2011 produced cash resources of $1.2 million. Receipt of capital funding increased cash flow by $7.6 million. Cash was invested in capital asset expenditures in the amount of $10.5 million, bringing the net book value of tangible capital assets to approximately $154 million. The majority of 2011 capital asset expenditures were for the restoration of heritage sites. Principal payments on long term debt of $1.4 million were made, as scheduled, reducing outstanding debt to approximately $35 million on October 31, 2011. Interest payments of approximately $1.9 million on this debt are included in the deficit from operations.

Edgewaters Tap and Grill, 2011

Saleable inventories were reduced by 19% or $958,000 from $5.1 million on October 31, 2010 to $4.2 million on October 31, 2011, to assist with cash flow constraints, and to reduce carrying costs of inventory in the off-season. A more proactive approach to inventory management will be underway in 2012.

Accounts receivable increased by approximately $600,000 from $3.2 million on October 31, 2010 to $3.8 million on October 31, 2011, the majority of which is stimulus grant money due from the federal and provincial governments for works completed in the latter half of fiscal 2011. All conditions for the stimulus funding were met, and the work was completed on time.

Deferred revenue represented revenues received for property rehabilitation and not yet spent. Deferred revenue decreased by approximately $600,000 from $2.2 million on October 31, 2010 to $1.6 million on October 31, 2011. This reduction related primarily to the use of specific funds for the renovation of historic Old Fort Erie.

Laura Secord Homestead Gift Shop, Interpretive Centre, Home

Accounting Standards

Through its Memorandum of Understanding, NPC is required to follow Public Sector Accounting Board (PSAB) standards as set out by the Canadian Institute of Chartered Accountants. NPC uses this framework for its financial and accounting procedures, as well as Ontario Regulation 395/11 which takes stimulus grant money, such as that received for the restoration of heritage assets, into income at the same rate that the existing assets are being amortized (over 20 years).

The 2011 statements included in this annual report reflect the standards established by the Public Sector Accounting Board (PSAB), with the exception of the treatment of transfer revenues, as these are recognized in accordance with Regulation 395/11.

The change in accounting standards was also reflected in the presentation of the financial information and in the restatement of previously reported amounts for the 2010 fiscal year.

The balance sheet is now called the statement of financial position. Where the balance sheet in the prior year reflected assets, liabilities and equity, the statement of financial position now discloses financial assets, liabilities, non-financial assets, and accumulated surplus. Restatement of the previously reported amounts included the reduction of the 2010 opening accumulated surplus by $138,000 from $97,867,000 to $97,729,000 due to the write down of artwork and non-tangible assets. The previously reported ending equity position for 2010 was $88,635,000, which has been reported as the accumulated surplus of $88,603,000 to reflect the change in accounting standards and the new regulation regarding government transfer revenue. Also, the annual deficit for 2010 was reduced from $9,232,000, as previously reported, to $9,126,000 under the new accounting standards. Total liabilities were also restated from $78,624,000, as reported last year, to $78,525,000 in total liabilities for 2010 in these financial statements.

Year in Review **2011**

Niagara Parks
Police Inspection, 1926

NOVEMBER 2010

5th Annual Niagara Parks Apprentice Cooks & Chefs Showcase Dinner

This memorable event takes place annually at Queenston Heights Restaurant, where one talented apprentice is recognized with a scholarship cheque for $1,000, along with a knife set donated by the Canadian Food and Wine Institute at Niagara College.

DECEMBER 2010

Annual Christmas Display at the Floral Showhouse

During the month of December, guests from throughout the world have an opportunity to experience one of the Floral Showhouse's most popular displays. The annual Christmas show has become a family holiday tradition, and Niagara Parks has been pleased to present this to the public for over 60 years.

DECEMBER 2010

New Year's Eve Niagara Falls in Queen Victoria Park: December 31

Working with local and regional tourism partners, Niagara Parks hosted Canada's largest annual New Year's Eve celebration. Featured entertainers included Canadian artists Barenaked Ladies, Great Big Sea and rapper Kardinal Offishall.

JANUARY

Project Tree-Cycle

Residents were invited to the Niagara Parks Botanical Gardens to collect free wood chips recycled from discarded Christmas trees. During the event, the Butterfly Conservatory also offered a special two for one admission discount so that residents attending could bask in the tropical glow.

FEBRUARY

New Reptile Exhibit at the Butterfly Conservatory

The Butterfly Conservatory introduced a successful reptile exhibit for Ontario's Family Day weekend. The travelling exhibit from Little Ray's Reptile Zoo of Ottawa, Ontario featured interactive displays and educational programs with live reptiles including a 100-pound alligator, a 200-pound python, an 80-pound tortoise, a giant monitor lizard and a giant snapping turtle.

MARCH

Earth Hour 2011

NPC and the Niagara Falls Illumination Board joined the global initiative to support action on climate change. The Falls Illumination, along with all non-essential lighting within the Parks, was "switched off" for a full hour.

75th Anniversary Graduation Ceremony at NPC School of Horticulture

NPC and all those associated with its School of Horticulture were proud to help celebrate the 75th anniversary of the school. Graduates pictured include: Front (L to R): Justin Nicol, Michael Emlyn and Luke Serbina. Back Row (L to R): Tristan Baxter, Laura Caddy, Robert Jacob, Blaine Finnie and Matthew Methven.

APRIL

Chefs Showcase Challenge at Elements on the Falls Restaurant

Local chefs and wineries gathered at Table Rock's Elements on the Falls and Grand Hall to showcase Niagara's bountiful offerings and to raise funds for the "It's Our Time" campaign in support of the Greater Niagara General Hospital Foundation and the future Walker Family Cancer Centre.

Friends of the Niagara Glen Earth Day Event

The Friends of the Niagara Glen provided informative displays, a guided hike into the Niagara Glen and a tree planting in honour of Earth Day.

Volunteer Recognition Reception at Legends on the Niagara

For the first time, a ceremony was held to celebrate the volunteers who continually show their support to make a difference at Niagara Parks.

Year in Review **2011**

Niagara Parks Police
Ceremonial Honour Guard, 2011

APRIL

Robert Bateman's "Get To Know" Contest Launch at the Butterfly Conservatory

NPC invited local school children to take part in activities to learn about biodiversity during the nation-wide launch of Canadian naturalist and painter Robert Bateman's "Get To Know" writing and arts contest.

Annual Retirement Dinner at Legends on the Niagara

The highly anticipated event recognized NPC 25-year employees and retirees.

Niagara Parks Re-beautification/Police Ceremonial Guard Unveiling Media Conference

Minister Michael Chan attended the season launch news conference, which highlighted NPC's 2011 park re-beautification efforts. During the event, the Niagara Parks Police Services' new emblem, K-9 Unit and Ceremonial Honour Guard were introduced as a prelude to the Services' 125th anniversary celebration.

MAY

Community Day at Niagara Parks

NPC invited residents to enjoy its attractions for only $5 to support the "It's Our Time" campaign in support of the Greater Niagara General Hospital Foundation and the future Walker Family Cancer Centre. Parking at the Falls lot was reduced to $5 for the day, and the Niagara Parkway featured a "Car Free" zone between Murray Street and Clifton Hill to encourage people to enjoy Queen Victoria Park.

May - October 2011 Falls Fireworks & Illumination Concert Series at the Illumination Tower Stage

Canada's longest running fireworks series continued, along with free concerts overlooking the Falls.

JUNE

June - August Friday Night Frights at Old Fort Erie

A popular tradition continued on Friday nights as guides shared the stories of the ghosts of Canada's bloodiest battlefield.

JUNE

Annual Spring BBQ at Queenston Heights

Located on Queenston Heights Restaurant Patio, high atop the Niagara Escarpment, at the foot of Brock's Monument, this event has become a local favourite.

The Fenian Raids

Volunteer re-enactors portrayed the Canadian Militia and the Irish Republican Army engaged in daily battle re-enactments to mark the largest Fenian Raid of 1866.

Ride to Conquer Cancer

Niagara Falls served as the finish line for this two-day cycle challenge that supported Princess Margaret Hospital's work to find a cure for cancer.

JUNE

Grand Opening of the Laura Secord Homestead, Village within a Village

Opening ceremonies and free public tours were held at the newly renovated Laura Secord Homestead.

JULY

Canada Day Grand Opening of Old Fort Erie

Old Fort Erie officially reopened to the public, featuring special greetings from Lieutenant Governor David Onley.

Whirlpool Golf Course - 60th Anniversary Event

NPC hosted a media conference, followed by a themed Persimmon rules tournament and dinner, to mark this date.

Year in Review **2011**

International tournament at Whirlpool Golf Course, 1951

JULY

Grand Re-Opening at McFarland House

Opening ceremonies and free public tours were held at the newly renovated McFarland House.

July – August Niagara Parks School of Horticulture 75th Anniversary Archive Exhibit

Entitled "A Portrait of Growing: Reflections from the Archives", the free public exhibit featured photo boards and showcase cabinets displaying memorabilia and artifacts from all eras of the school's history, including international awards, school crests, jackets and diplomas.

AUGUST

25th Annual Siege of Fort Erie, 1814

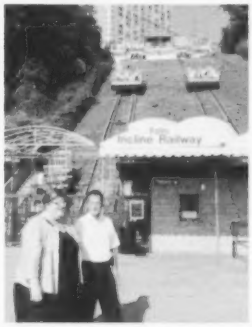
Canada's largest annual War of 1812 re-enactment weekend also included Saturday evening lantern tours through the fort after the main battle.

AUGUST

Annual End of Summer BBQ at Queenston Heights

Niagara Parks' chefs showcased the fall harvest, complemented by Niagara wine tastings and live entertainment.

SEPTEMBER



Falls Incline Railway Funding Announcement

NPC hosted a media conference to announce that it will receive support from the Government of Ontario to replace its aging incline railway with a more modern, year-round and accessible system to provide service between Queen Victoria Park and the Fallsview tourism district.

'It's Our Time" Charity Golf Tournament

This sold-out tournament at Legends on the Niagara raised funds for the Greater Niagara General Hospital Foundation and the future Walker Family Cancer Centre.

OCTOBER

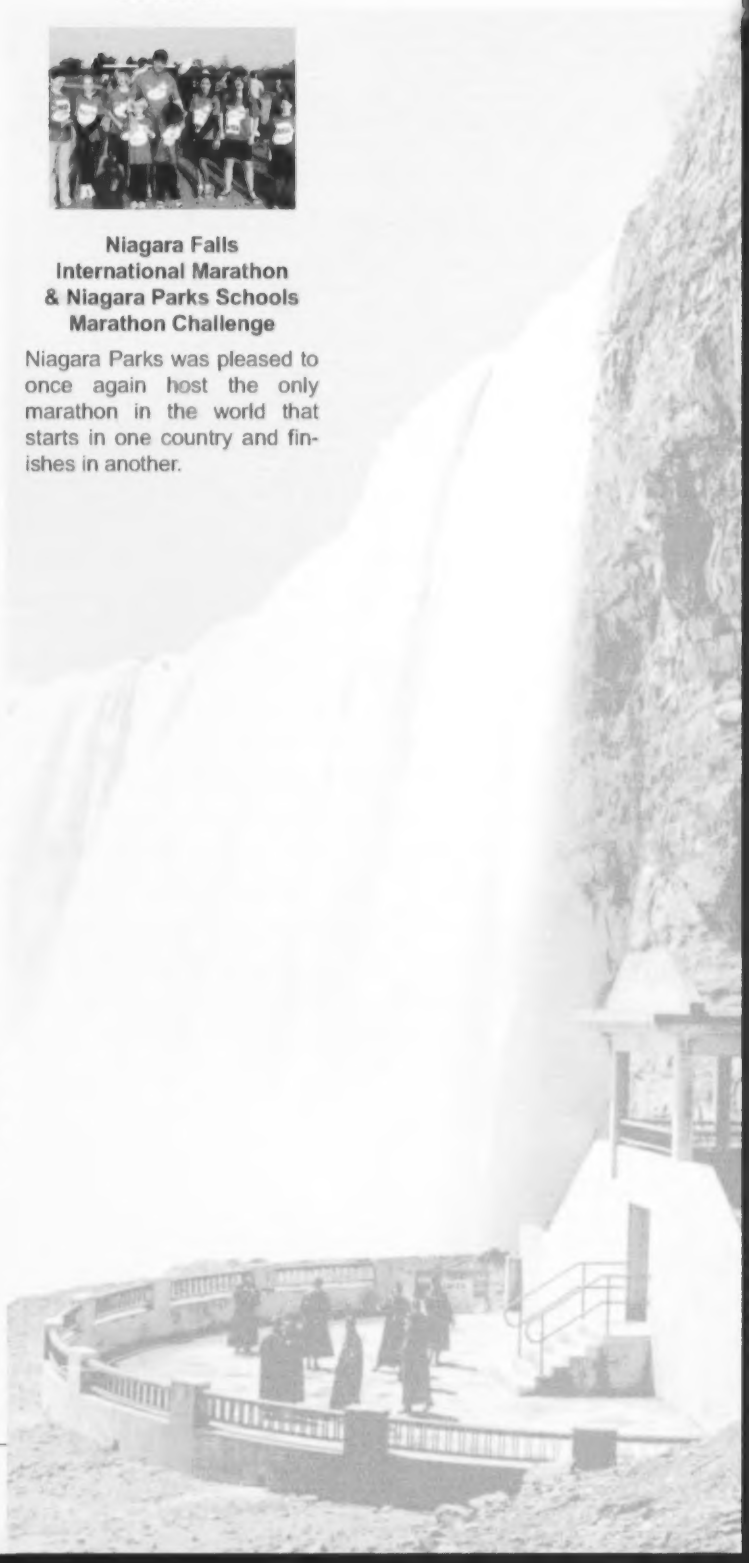
All Hallow's Eve at Old Fort Erie

The ever-popular Halloween ghost tours took place at Old Fort Erie.

OCTOBER

Niagara Falls International Marathon & Niagara Parks Schools Marathon Challenge

Niagara Parks was pleased to once again host the only marathon in the world that starts in one country and finishes in another.



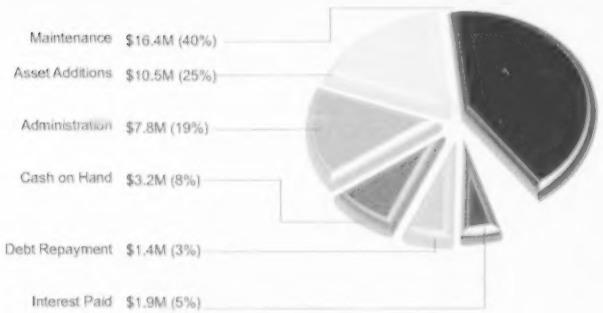
Whirlpool Golf Course, Hole 2, 2011

Business Climate **2011**

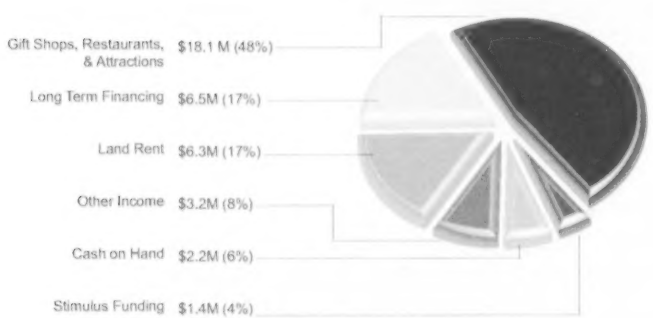
Where Commission Dollars Came From 2011 ($Million)

Gift Shops, Restaurants, & Attractions $17.3 M (42%)
Infrastructure Funding $7.6M (18%)
Cash on Hand $6.5M (16%)
Land Rent $6.5M (15%)
Other Income $3.2M (8%)
Working Capital $1M (1%)

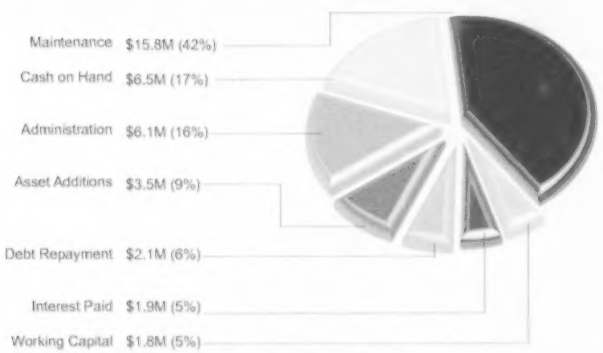
Where Commission Dollars Went 2011 ($Million)



Where Commission Dollars Came From 2010 ($Million)


Gift Shops, Restaurants, & Attractions $18.1 M (48%)
Long Term Financing $6.5M (17%)
Land Rent $6.3M (17%)
Other Income $3.2M (8%)
Cash on Hand $2.2M (6%)
Stimulus Funding $1.4M (4%)

Where Commission Dollars Went 2010 ($Million)



Comparative Performance Gift Shops, Restaurants, and Attractions ($`000)

	2011	% of Sales	2010	% of Sales
Income	$60,341	100	$62,546	100
Cost of Goods Sold	9,917	16	10,691	17
Gross Profit	$50,424	84	$51,855	83
Operating Expenditures	33,213	55	33,802	54
Net Income Before Administrative Overhead and Depreciation	$17,211	29	$18,053	29

NPC Attendance **2011**

Scenic Tunnel
Observation Platform, 1951

	2011	2010	Increase or (Decrease)
Paid Attractions			
Maid of the Mist Elevator	1,536,503	1,632,549	(96,046)
Journey Behind the Falls	730,409	808,896	(78,487)
Butterfly Conservatory	287,840	287,459	381
Whirlpool Aero Car	101,894	111,488	(9,594)
White Water Walk	195,282	244,302	(49,020)
Sir Adam Beck	13,636	17,540	(3,904)
Niagara's Fury	292,818	323,448	(30,630)
Total	**3,158,382**	**3,425,682**	**(267,300)**
Golf			
Oak Hall Par 3 Golf Course	2,156	2,472	(316)
Whirlpool Golf Course	22,873	34,177	(11,304)
Legends on the Niagara	39,913	61,652	(21,739)
Total	**64,942**	**98,301**	**(33,359)**
Historic Sites			
Old Fort Erie	12,588	13,890	(1,302)
Laura Secord Homestead	4,265	5,485	(1,220)
Mackenzie Printery	2,212	3,245	(1,033)
McFarland House	704	2,808	(2,104)
Total	**19,769**	**25,428**	**(5,659)**
Transportation			
Peoplemover	448,843	456,446	(7,603)
Falls Incline Railway	544,987	781,092	(236,105)
Total	**993,830**	**1,237,538**	**(243,708)**
TOTAL	**4,236,923**	**4,786,949**	**(550,026)**

Brock's Monument, 1936

THE NIAGARA PARKS COMMISSION MANAGEMENT REPORT
October 31, 2011

The Management of The Niagara Parks Commission are responsible for the financial statements and all other information presented in these statements. The statements have been prepared by management in accordance with the framework identified in Note 2 in the accompanying audited financial statements.

The financial statements include amounts based on best estimates and judgments. Management has determined such amounts on a reasonable basis in order to ensure that the statements are presented fairly, in all material respects.

Management maintains a system of internal accounting and administrative control that is designed to provide reasonable assurance that the financial information is relevant, reliable, accurate and that the Commission's assets are properly accounted for and adequately safeguarded.

The Board of The Niagara Parks Commission is responsible for gaining assurance that management fulfills its responsibilities for financial reporting and is ultimately responsible for reviewing and approving the financial statements.

The Board, through the Audit and Finance Committee, meets periodically with Management to discuss financial results, auditing matters, financial reporting issues and to satisfy itself that each group is properly discharging responsibilities. The Committee reviews the financial statements before recommending approval by the Board.

The Financial statements have been audited by Grant Thornton LLP, the Commission's appointed External Auditor and in accordance with Canadian generally accepted auditing standards on behalf of the Commission, Minister of Tourism, Culture and Sport and the Provincial Auditor General. Grant Thornton LLP had direct and full access to all Commission records as well as full access to the Audit and Finance Committee with and without the presence of management to discuss their audit and findings as to the integrity of the Commission's financial reporting.

Fay Booker
General Manager
January 26, 2012

M. Neubauer

Margaret Neubauer, Director
Corporate Services &
Governance Support
January 26, 2012

AUDITORS' REPORT
To The Niagara Parks Commission, the Minister of Tourism, Culture and Sport and the Auditor General

We have audited the accompanying financial statements of The Niagara Parks Commission, which comprise the statement of financial position as at October 31, 2011 and October 31, 2010, and the statements of operations, changes in net debt and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information. The financial statements have been prepared by management in accordance with the basis of accounting described in Note 2 to the financial statements.

Management's responsibility for the financial statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with the basis of accounting described in Note 2 to the financial statements, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the financial statements present fairly, in all material respects, the financial position of The Niagara Parks Commission as at October 31, 2011 and October 31, 2010, and the results of its operations, changes in net debt and cash flows for the years then ended in accordance with the basis of accounting described in Note 2 to the financial statements.

Basis of accounting
Without modifying our opinion, we draw attention to Note 2 to the financial statements which describes that basis of accounting. The financial statements are prepared to assist The Niagara Parks Commission to comply with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and Regulation 325/11 to the Ontario Financial Administration Act. As a result, the financial statements may not be suitable for another purpose.

Other matter
Without modifying our report we draw attention to the budget figures which are provided for comparative purposes only. They have not been subject to audit procedures. Accordingly, we do not express an opinion on the budget figures.

Grant Thornton LLP

Port Colborne, Ontario
February 15, 2012

Grant Thornton LLP
Chartered Accountants
Licensed Public Accountants

STATEMENT OF FINANCIAL POSITION

as at October 31, 2011
(in thousands of dollars)

	2011	2010
Financial assets		
Cash and cash equivalents	**$ 3,178**	$ 6,502
Accounts receivable	**3,805**	3,208
Inventories – saleable	**4,177**	5,135
	11,160	14,845
Liabilities		
Accounts payable	**6,015**	6,088
Accrued payroll	**2,383**	2,070
Deferred revenue (Note 4)	**1,571**	2,186
Deferred capital funding (Note 5)	**8,902**	1,349
Long term financing (Note 6)	**34,956**	36,346
Post-employment benefits (Note 7)	**3,869**	3,759
Power Plant stabilization obligation (Note 8)	**26,859**	26,727
	84,555	78,525
Net debt	**(73,395)**	(63,680)
Non-financial assets		
Tangible capital assets (Note 9)	**153,578**	150,370
Inventories – other	**1,595**	1,426
Prepaid expenses	**155**	487
	155,328	152,283
Accumulated surplus (Note 10)	**$ 81,933**	$ 88,603

Commitments and contingencies (Notes 12 and 13)

On behalf of the Commission

Chair

Commissioner

See accompanying notes to the financial statements.

STATEMENT OF OPERATIONS

for the year ending October 31, 2011
(in thousand of dollars)

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010
Revenues			
Revenue producing operations	$ 65,857	**$ 60,341**	$ 62,546
Land rent	6,410	**6,461**	6,297
Commission, rentals and fees	2,675	**2,565**	2,655
Premium on United States funds – net	275	**(132)**	314
Gain on disposal of tangible capital assets		**11**	2
Sundry revenue	100	**167**	226
	75,317	**69,413**	72,040
Expenses (Page 23)			
Revenue producing operations			
Cost of goods sold	10,752	**9,917**	10,691
Operating	31,315	**29,864**	30,207
Maintenance	14,052	**13,549**	12,968
Administrative and police	9,236	**9,434**	8,753
Marketing and promotion	3,813	**3,349**	3,588
	69,168	**66,113**	66,207
Net surplus for the year before undernoted items	6,149	**3,300**	5,833
Other items			
Interest expense – net (Note 14)	1,831	**1,864**	1,878
Amortization of tangible capital assets (Note 15)	7,240	**7,283**	7,501
Amortization of deferred capital funding (Note 5)		**(37)**	
Non-recurring	398	**1,264**	195
	9,469	**10,374**	9,574
Net deficit from operations	(3,320)	**(7,074)**	(3,741)
Net increase in Power Plant stabilization obligation (Note 8)		**(132)**	(5,484)
Other capital funding		**536**	99
Annual deficit	(3,320)	**(6,670)**	(9,126)
Accumulated surplus			
Beginning of year	88,603	**88,603**	97,729
End of year	$ 85,283	**$ 81,933**	$ 88,603

See accompanying notes to the financial statements.

STATEMENT OF CHANGES IN NET DEBT

for the year ending October 31, 2011

(in thousand of dollars)

	2011	2010
Annual deficit	**$ (6,670)**	$ (9,126)
Amortization of tangible capital assets	**7,283**	7,501
Acquisition of tangible capital assets (Note 17)	**(10,491)**	(3,462)
Proceeds from the sale of tangible capital assets	**11**	2
Gain on sale of tangible capital assets - net	**(11)**	(2)
	(9,878)	(5,087)
Use (acquisition) of prepaid expenses	**332**	(101)
Use (acquisition) of other inventories	**(169)**	134
Increase in net debt	**(9,715)**	(5,054)
Net debt		
Beginning of year	**(63,680)**	(58,626)
End of year	**$ (73,395)**	$ (63,680)

See accompanying notes to the financial statements.

STATEMENT OF CASH FLOWS

for the year ending October 31, 2011
(in thousands of dollars)

	2011	2010
Increase (decrease) in cash and cash equivalents		
Operating activities		
Annual deficit	**$ (6,670)**	$ (9,126)
Charges against income not requiring an outlay of funds		
Post-employment benefits	**372**	343
Amortization of tangible capital assets	**7,283**	7,501
Amortization of deferred capital funding	**(37)**	
Gain on disposal of tangible capital assets – net	**(11)**	(2)
Increase in Power Plant stabilization obligation – net	**132**	5,484
	1,069	4,200
Net change in non-cash working capital balances related to operations (Note 16)	**149**	(1,953)
	1,218	2,247
Capital activities		
Acquisition of tangible capital assets (Note 17)	**(10,491)**	(3,462)
Proceeds from the sale of tangible capital assets	**11**	2
	(10,480)	(3,460)
Financing activities		
Net increase (decrease) in long term financing	**(1,390)**	4,389
Cash outlay related to post-employment benefits	**(262)**	(184)
Receipt of capital funding	**7,590**	1,349
	5,938	5,554
Net (decrease) increase in cash and cash equivalents	**(3,324)**	4,341
Cash and cash equivalents		
Beginning of year	**6,502**	2,161
End of year	**$ 3,178**	$ 6,502

See accompanying notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS for the year ending October 31, 2011

1. Nature of operations

The Niagara Parks Commission (the "Commission") is governed by the Niagara Parks Act. Initially established in 1885, the Commission is an "Operational Enterprise" of the Province of Ontario and is responsible for maintaining, protecting and showcasing over 1,300 hectares of parkland stretching some 56 kilometres along the Niagara River from Lake Erie to Lake Ontario. The Commission is exempt from corporate income taxes under the Income Tax Act (Canada) and Ontario Corporation Tax Act.

The Commission is also classified as an Other Government Organization by the Ministry of Finance and as such, the Commission's audited financial statements are published as part of the Public Accounts.

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2. Significant accounting policies

Basis of accounting

These financial statements have been prepared in accordance with the financial reporting provisions in the Province of Ontario Ministry of Tourism Memorandum of Understanding and the Regulation 395/11 to the Ontario Financial Administration Act. The significant accounting principles used in the preparation of these financial statements are in line with the accounting standards established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants (CICA) and Regulation 395/11 to the Ontario Financial Administration Act.

The significant accounting principles used in the preparation of these financial statements are summarized below.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances with banks and short term deposits with maturities of less than one year.

Inventories

Saleable and other inventories are valued at the lower of average cost and net realizable value.

Tangible capital assets

Tangible capital assets are recorded at cost. Cost includes all directly attributable expenses in the acquisition, construction, development and/or betterment of the asset required to install the asset at the location and in the condition necessary for its intended use. Contributed tangible capital assets are capitalized at their estimated fair value upon acquisition.

The Commission capitalizes an amount of interest as part of the costs of its capital works in progress and financed via long term financing.

Works of art for display in the Commission property are not included as capital assets. The works of art are held for exhibition, educational and historical interest. Such assets are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. No valuation of the collection has been disclosed in the financial statements.

Leases are classified as capital or operating leases. Leases that transfer substantially all benefits incidental to ownership are accounted for as capital leases. All other leases are accounted for as operating leases and the related lease payments are charged to expenses as incurred.

Amortization is calculated on a straight-line basis to write-off the net cost of each asset over its estimated useful life for all classes except land. Land is considered to have an infinite life without amortization. Residual values of assets are assumed to be zero with any net gain or loss arising from the disposal of assets recognized in the Statement of Operations. Amortization is charged on a monthly basis. Assets under construction are not amortized until the asset is available for productive use.

Amortization is based on the following classifications and useful lives:

Classification	Useful Life
Buildings, roadways and structures	7 to 40 years
Equipment and furnishings	3 to 10 years
Vehicles	10 to 12 years

2. Significant accounting policies (continued)

Deferred revenue

Revenue that is restricted by legislation of senior governments or by agreement with external parties are deferred and reported as restricted revenues. When qualifying expenses are incurred, restricted revenues are brought into revenue at equal amounts. Revenues received in advance of expenses that will be incurred in a later period are deferred until they are earned by being matched against those expenses.

Deferred capital funding

Government transfers for capital purposes are recorded as a liability, referred to as deferred capital funding and are recognized into revenue at the same rate as the related tangible capital assets are amortized, in accordance with Regulation 395/11 to the Ontario Financial Administration Act, as disclosed above.

Employee future benefits

The present value of the cost of providing employees with future benefit programs is expensed as employees earn these entitlements.

Revenue recognition

Revenue from gift shops, restaurants and attractions are recognized when merchandise has been transferred to the customer or services have been rendered. Revenue from land rent, commissions, rentals, fees and sundry are recognized over the life of the agreement or when earned.

Foreign currency translation

These financial statements are presented in Canadian dollars. Assets and liabilities denominated in foreign currencies are translated at the exchange rates in effect at the statement of financial position date. Gains and losses on translation are reflected in the annual surplus/deficit.

Use of estimates and measurement uncertainty

The preparation of financial statements in accordance with Canadian public sector accounting standards requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Two areas in which estimates are used are with regards to post-employment benefits and the Power Plan stabilization obligation.

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3. Supplementary information

For the 2011 fiscal year the Commission adopted the basis of accounting described in Note 2 and the following restatements were made to the 2010 comparative figures:

	(in thousands of dollars)
Accumulated surplus, beginning of year	
As previously reported	$ 97,867
Removal of artwork from tangible capital assets	(82)
Removal of non-tangible asset	(56)
As adjusted	$ 97,729
Annual deficit, year ended October 31, 2010	
As previously reported	$ (9,232)
Reporting of other capital funding as revenue	99
Reduction of amortization of non-tangible capital asset	7
As adjusted	$ (9,126)

Opening accumulated surplus for the year ended October 31, 2010 was adjusted for the removal of artwork from tangible capital assets and non-tangible asset and the annual deficit originally reported for the year ended October 31, 2010 was adjusted to report other capital funding as revenue and to reduce the amortization of the non-tangible capital asset.

4. Deferred revenue

	2011	2010
	(in thousands of dollars)	
Defunct power stations (Note 8)	$ 226	$ 507
Sale proceeds related to Fort Erie land transaction	669	1,205
Other	676	474
	$ 1,571	$ 2,186

Fort Erie land transaction obligation

In fiscal 2009, the Commission and the Peace Bridge Authority ("PBA") entered into an agreement to transfer parcels of land. The PBA acquired a 5.952 acre parcel located in Fort Erie from the Commission for $ 2,021,206. The Commission acquired an option for $ 670,000 plus an annual sum of $ 7,300 adjusted for inflation, to receive 1.973 acres of river front property located at the end of Jarvis Street in Fort Erie from the PBA. The agreement calls for the net proceeds to the Commission in the amount of $ 1,351,206 to be spent on a) funding improvements at Old Fort Erie which are intended for the 200th year anniversary of the War of 1812 and b) returning and/or maintaining the Jarvis Street property as parkland.

The net proceeds were recorded as part of deferred revenue on the statement of financial position. To date approximately $ 636,000 from these proceeds have been spent on the capital works project for the renovation of Historic Fort Erie and approximately $ 47,000 has been spent
on the Jarvis Street property maintenance. As of October 31, 2011, approximately $ 669,000 remains for use in 2012 and beyond.

5. Deferred capital funding

The Commission secured stimulus grant funding to renovate its heritage sites in the amount of $ 8,939,056 and as of October 31, 2011 all funds were utilized and the projects were complete.

	2011	2010
	(in thousands of dollars)	
Deferred capital funding		
Beginning of year	$ 1,349	$ -
Received during year	7,590	1,349
Amortization	(37)	
End of year	$ 8,902	$ 1,349

6. Long term financing

	2011	2010
	(in thousands of dollars)	
Unsecured fixed rate term loan requiring blended payments of principal and interest of $ 2,640,907 per annum, bearing interest at 5.06% through to April, 2027	$ 28,561	$ 29,700
Unsecured fixed rate term loan requiring blended first annual payment of $ 543,418 and then payments of $ 569,965 per annum thereafter, bearing interest at 5.07% through to April, 2027	6,271	6,500
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 1,076 to August, 2011, secured by equipment with a net book value of $ 28,295, repaid during year		9
The Commission had an obligation under capital lease, bearing interest of $ Nil, requiring monthly payments of $ 659 to May, 2011, secured by equipment with a net book value of $ 11,856, repaid during year		5
The Commission has an option to purchase land requiring annual payments of $ 7,300 until January, 2028 (Note 3)	124	132
	$ 34,956	$ 36,346

The principal payments of the long term financial obligations due in the next five fiscal periods are as follows:

2012	$ 1,455
2013	1,529
2014	1,606
2015	1,687
2016	1,772

7. Post-employment benefits

Defined termination benefits

The Commission provides a defined employee future benefit, payable on termination to certain full time employees with a minimum of five years of service. The benefit is calculated on the basis of one week's remuneration, at the time of termination, for every year of full time service provided to the Commission to a maximum of twenty-six weeks. The accrued benefit liability as at October 31, 2011 is $ 3,869,482 (2010 - $ 3,759,218).

The Commission requires that an actuarial valuation of the post-employment benefits be conducted every three years. The last valuation was completed for the year ending October 31, 2010.

As a result of an actuarial valuation conducted in 2010 for the year ending October 31, 2010, it was determined that an actuarial gain of $ 140,884 existed. The actual obligation as at October 31, 2011 is $ 3,728,598 (2010 - $ 3,618,334). Since the actuarial gain is less than 10% of the actual obligation, no minimum amortization has been recorded for the year.

Defined benefit plan information	2011	2010
	(in thousands of dollars)	
Employee benefit plan assets	$ Nil	$ Nil
Employee benefit plan liabilities	3,869	3,759
Employee benefit plan deficit	$ 3,869	$ 3,759
Benefit obligation recognized on the statement of financial position		
Benefit obligation, beginning of year	$ 3,759	$ 3,600
Expense for the year	372	343
Benefits paid during the year	(262)	(184)
Benefit obligation, end of year	$ 3,869	$ 3,759
The net benefit expense is as follows:		
Current service cost	$ 193	$ 175
Interest cost	179	168
	$ 372	$ 343

The main actuarial assumptions applied in the valuation of the defined benefit plan are as follows:
Interest (discount) rate – the accrued obligation and the expense for the year were determined using a discount rate of 5%.
Salary levels – future salary and wage levels were assumed to increase at 3% per annum.
These assumptions will be reviewed with the next actuarial valuation in fiscal 2013.

Pension benefits

The Commission provides pension benefits for all its permanent employees (and to non-permanent employees who elect to participate) through the Public Service Pension Fund ("PSPF") and the Ontario Public Service Employees' Union Pension Fund ("OPSEU Pension Fund"). These are defined benefit pension plans for employees of the Province and many provincial agencies. The Province of Ontario, which is the sole sponsor of the PSPF and a joint sponsor of the OPSEU Pension Fund, determines the Commission's annual payments to the funds. As the sponsors are responsible for ensuring that the pension funds are financially viable, any surpluses or unfunded liabilities arising from statutory actuarial funding valuations are not assets or obligations of the Commission. The Commission's annual payments of $ 1,784,726 (2010 - $ 1,776,084), of which $ 892,363 (2010 - $ 888,042) represents the employees' portion, are included in the administrative and police expense on the statement of operations.

The cost of post-employment, non-pension benefits are paid by the Province and therefore are not included in the statement of operations.

8. Power Plant stabilization obligation

The Province of Ontario directed the Commission to accept ownership of three former electricity generating power stations all located within Commission lands.

The Toronto Power Generating Station ("TPGS") and the Ontario Power Generating Station ("OPGS") were transferred by Ontario Power Generation Inc. ("OPG") to the Commission at no cost in August, 2007. As part of the terms of transfer of TPGS and OPGS, OPG was to undertake certain structural and environmental work to ensure that the buildings were no threat to the public. The Canadian Niagara Power Generating Station ("CNPGS") previously owned by Fortis Ontario was transferred April 30, 2009.

The Ministry of Tourism engaged the services of an architectural firm (The Ventin Group Inc.) to ensure that the original Government Directive governing the initial transfer was complied with and to identify work and related costs required to "stabilize and mothball" all the facilities until an ultimate use for the buildings can be determined. The Ventin Group identified the remaining lead paint at the TPGS and OPGS as a deficiency which OPG should have resealed or encapsulated after cleaning. The Ventin Group reported that there are substantial costs required to bring the three power stations to what would be considered a "mothball" state. Therefore, additional costs would be required to bring these buildings to a "development ready" state. Further, there are in existence certain secondary structures related to TPGS and OPGS that were not accounted for in the original Directive that will result in additional remediation costs at some point in the future.

The Commission is of the belief that the acceptance of these Power Generating Stations will require a significant infusion of funds that is beyond its capacity to meet. As at October 31, 2011, ongoing negotiations with the Province have not resulted in any assurance that the Commission will not be responsible for any future costs. Any costs that are expected to be incurred for the purposes described above will not commence without funding received from the Province.

An asset retirement obligation of $ 25,146,000 as of October 31, 2009 was calculated. This value represented the Commission's best estimate of the costs required to "stabilize and mothball" the three power stations based on the report received from the Ventin Group. The report also identified contingency costs of approximately $ 3,600,000 which was not accrued in the asset retirement obligation at that time. The Commission estimates that this work could take approximately three to four years to complete. In order to determine the net present value of the asset retirement obligation, staff have estimated that, subject to financing being received from the Province, work will not commence for several years. It is estimated that the work may commence in 2016. The cost of capital and the rate of inflation estimated over the course of the calculation was 5.059% and 3%, respectively. This results in a net present value of $ 22,127,131 as at October 31, 2011. This is an increase of $ 446,406 from 2010 and has been recorded in the statement of operations.

Two additional studies were completed during the year ended October 31, 2010 which identified an additional liability involved with the "stabilization and mothball" process. The first report known as the Hatch group study identified an additional $ 6,305,000 for external/infrastructure work that is required. The second study was completed by the Quartek group which identified an additional $ 1,260,000 related to additional costs to stabilize the roofs of the buildings. Together these two reports equal an increase of $ 7,565,000. As previously mentioned it is estimated this work will not commence until 2016 and correspondingly another calculation for the net present value of this additional liability was performed using a cost of capital of 5.059% and inflation rate of 2% respectively. This results in net present value of $ 6,347,599 as at October 31, 2011 for this portion of the liability. This is an increase of $ 188,410 from 2010 and has also been recorded in the statement of operations.

	2011	2010
	(in thousands of dollars)	
Power Plant stabilization obligation		
Beginning of year	**$ 26,727**	$ 21,243
Current year increase in present value of original obligation	**635**	437
Present value of additional obligation related to additional studies		6,159
Actual work performed during year	**(503)**	(1,112)
Net increase in Power Plant stabilization obligation	**132**	5,484
End of year	**$ 26,859**	$ 26,727

A capital asset has not been recorded for these properties as there is an impairment in their value, which has been documented in the various studies carried out to date.

As at October 31, 2009, the Commission had received $ 1,550,000 in funding from the Ministry of Tourism to assist in the "stabilizing and mothball" process. Approximately $ 226,000 of this funding remains for use in 2012 and beyond.

The Commission has incurred annual costs related to maintenance and security for all sites and has recorded them in the statement of operations and are included in the maintenance expense.

NOTES TO THE FINANCIAL STATEMENTS for the year ending October 31, 2011

9. Tangible capital assets

	Cost	Accumulated Depreciation	2011 Net Book Value	2010 Net Book Value
			(in thousands of dollars)	
Land	$ 14,359		**$ 14,359**	$ 14,359
Land improvements	17,135		**17,135**	17,135
Buildings, roadways and structures	202,191	$ 87,349	**114,842**	109,358
Equipment and furnishings	41,523	35,944	**5,579**	6,355
Vehicles	9,169	8,071	**1,098**	1,194
	284,377	131,364	**153,013**	148,401
Capital works in progress	565		**565**	1,969
	$ 284,942	$ 131,364	**$ 153,578**	$ 150,370
Equipment under capital lease included above	$ 69	$ 28	**$ 41**	$ 48

10. Accumulated surplus

	2011	2010
	(in thousands of dollars)	
Operating surplus	**$ 2,941**	$ 6,414
Investment in tangible capital assets	**144,676**	149,021
Unfunded		
Long term debt	**(34,956)**	(36,346)
Post-employment benefits	**(3,869)**	(3,759)
Power Plant stabilization obligation	**(26,859)**	(26,727)
	(65,684)	(66,832)
Accumulated surplus	**$ 81,933**	$ 88,603

Surplus funds

Pursuant to Section 16(2) of the Niagara Parks Act, any surplus moneys shall, on the order of the Lieutenant Governor in Council, be paid to the Minister of Finance and shall form part of the consolidated revenue fund.

11. Credit facilities

The credit facilities, which have a maximum borrowing capacity of $ 15,000,000, provide for two types of loans. There is a variable rate option which varies with the Canadian Imperial Bank of Commerce prime rate and there is a fixed rate operating loan facility available with a maximum term not to exceed 364 days at rates which are set relative to banker's acceptance rates. These credit facilities are unsecured and expire on October 31, 2014. As at October 31, 2011, $ Nil has been drawn upon for all credit facilities (2010 – $ Nil).

12. Commitments

The Commission has committed to approximately $ 600,000 in capital works projects in the next year.
The Commission leases vehicles, equipment and premises under operating leases expiring in 2012. The total obligation under operating leases amounts to approximately $ 220,000.

13. Contingencies

The Commission is in litigation pertaining to certain claims for which the likelihood of loss is not determinable and the amount not reasonably estimable. Accordingly, no provision for these claims is reflected in the financial statements.

14. Interest expense – net

	Budget 2011	Actual 2011	Actual 2010
	(Unaudited)	(in thousands of dollars)	
Interest revenue	$ (38)	$ (25)	$ (44)
Loan interest expense	1,869	1,889	1,922
	$ 1,831	$ 1,864	$ 1,878

NOTES TO THE FINANCIAL STATEMENTS for the year ending October 31, 2011

15. Amortization of tangible capital assets

	Budget 2011 (Unaudited)	Actual 2011	Actual 2010
		(in thousands of dollars)	
Amortization of income producing assets	$ 3,841	$ 4,031	$ 4,244
Amortization of non-income producing assets	3,399	3,252	3,257
	$ 7,240	$ 7,283	$ 7,501

16. Statement of cash flows

	2011	2010
	(in thousands of dollars)	
Changes in working capital components include		
Accounts receivable	$ (597)	$ (1,172)
Inventories	789	128
Accounts payable and accrued payroll	240	477
Deferred revenue	(615)	(1,285)
Prepaid expenses	332	(101)
	$ 149	$ (1,953)
Interest received	$ 25	$ 44
Interest paid	$ 1,885	$ 1,721

17. Acquisition of tangible capital assets

During the year, tangible capital assets were acquired at an aggregate cost of $ 10,491,000 (2010 - $ 3,462,000) of which $ Nil (2010 - $ Nil) was acquired by means of capital leases and other non-cash acquisitions. Cash payments of $ 10,491,000 (2010 - $ 3,462,000) were made to purchase tangible capital assets. Stimulus grant funding of $ 7,590,287 and $ 535,921 from the Fort Erie land proceeds totalling $ 8,126,208 were used to fund the tangible capital asset additions related to the renovation of the Heritage Fort Erie, McFarland House and Laura Secord Homestead sites.

18. Financial instruments and risk management

Fair value

Fair value information with respect to long term financing has been omitted because it is not practicable to determine fair value with sufficient reliability.

The fair value of the post-employment termination benefit was determined using an actuarial valuation based on information presented in Note 6 to the financial statements.

Credit risk

The Commission is exposed to a credit risk by its customers. However, because of the large number of customers, credit risk concentration is reduced to a minimum.

Currency risk

The Commission has cash of $ 248,964 that is denominated in U.S. dollars. These funds have been converted to the Canadian equivalent at the rate of $ 1 U.S. equals $ .987 Canadian. The Commission realizes approximately 14.4% (2010 – 13.26%) of its sales in foreign currency. Consequently, some assets and revenues are exposed to foreign exchange fluctuations.

Cash flow risk

The Commission has variable rate bank overdraft facilities bearing interest which varies with the prime interest rate. Accordingly, the Commission is exposed to cash flow risks relating to potential fluctuations in market interest rates.

19. Comparative figures

Certain 2010 comparative figures have been reclassified to conform to the financial statement presentation adopted in 2011.

THE NIAGARA PARKS COMMISSION
SCHEDULE OF TANGIBLE CAPITAL ASSETS
for the year ending October 31, 2011
(in thousands of dollars)

	Land	Land Improvements	Buildings, Roadways & Structures	Equipment and Furnishings	Vehicles	Capital Works in Progress	**2011**	2010
Cost								
Beginning of year	$ 14,359	$ 17,135	$ 191,385	$ 40,720	$ 9,329	$ 1,969	**$ 274,897**	$ 271,576
Add additions				843	246	9,402	**10,491**	3,462
Less disposals				(40)	(406)		**(446)**	(141)
Transfers of capital works in progress			10,806			(10,806)		
End of year	14,359	17,135	202,191	41,523	9,169	565	**284,942**	274,897
Accumulated amortization								
Beginning of year			82,027	34,365	8,135		**124,527**	117,167
Add amortization			5,322	1,619	342		**7,283**	7,501
Less disposals				(40)	(406)		**(446)**	(141)
End of year			87,349	35,944	8,071		**131,364**	124,527
Net book value	$ 14,359	$ 17,135	$ 114,842	$ 5,579	$ 1,098	$ 565	**$ 153,578**	$ 150,370

THE NIAGARA PARKS COMMISSION
SCHEDULE OF EXPENSES BY OBJECT
for the year ending October 31, 2011
(in thousands of dollars)

	Budget 2011 (Unaudited)	**Actual 2011**	Actual 2010 (As restated) (Note 2)
Cost of goods sold	$ 10,752	**$ 9,917**	$ 10,691
Salaries, wages and benefits	40,526	**39,380**	38,548
Sales and other	1,301	**1,006**	1,274
Equipment repairs and maintenance	4,673	**4,360**	4,658
Materials and supplies	2,323	**1,840**	2,079
Advertising and promotion	2,335	**2,000**	2,266
Facilities	5,899	**5,632**	5,337
Administrative	1,359	**1,978**	1,354
	$ 69,168	**$ 66,113**	$ 66,207